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Syria

Grain and Feed

Production and Trade Update

2008

Approved by:
Peter Kurz
U.S. Embassy

Prepared by:
Chris Rittgers

Report Highlights:
The wheat and barley crops have been severely affected: first by frost and then the extreme drought in the spring of 2008. Large areas of wheat have been used for fodder/grazing. Wheat production is forecast to drop to 2 million tons, wheat exports will probably cease, and the barley crop is forecast at only 200,000 tons. Syria will have to import large quantities of barely and/or corn to make up for the feed shortage.

Includes PSD Changes: Yes
Includes Trade Matrix: No
Annual Report
Cairo [EG1]
[SY]

Executive Summary

Wheat

Wheat production in 2008/09 is estimated by the Minister of Agriculture and Agrarian Reform at 2.0 million tons, only half of the previous year's crop. Consumption is growing due primarily to the influx of Iraqi refugees. The Ministry of Economy and Trade has put restrictions on the movement of grains between provinces. The public sector General Establishment for Cereal Processing and Trade (HOBOOB), which bought 1,550,000 tons from the local crop in 2007, is expecting to buy a similar quantity in 2008. However, given the current supply situation and the prices HOBOOB is offering, the government will be hard-pressed to procure that quantity in 2008. Procurement prices for wheat were increased about 40 percent to encourage the farmers to sell to HOBOOB. Nonetheless, the new prices are still 35 percent below local prevailing prices. Exports are forecast to stop due to the low stock levels kept by HOBOOB. Imports by the private sector are expected to increase significantly over the usual 200,000 tons per year level.

Barley

Barley production was badly affected by the drought. Imports are forecast to grow significantly to make up for the feed shortage. Most of the imported barley comes from Ukraine and Russia.

Wheat

PSD Table

Wheat (1000 HA)(1000 MT)(MT/HA)

	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	1700	1700	1700	1700	1700	1700	1600	1700	800
Beginning Stocks	5483	5483	5483	4033	4033	4033	2933	2733	2933
Production	4200	4200	4200	4000	4000	4000	2500	4000	2000
MY Imports	200	200	200	200	200	200	800	200	1000
TY Imports	200	200	200	200	200	200	800	200	1000
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	9883	9883	9883	8233	8233	8233	6233	6933	5933
MY Exports	1500	1500	1500	800	800	800	300	200	0
TY Exports	1500	1500	1500	800	800	800	300	200	0
Feed Consumption	400	300	400	400	300	400	400	300	500
FSI Consumption	3950	4050	3950	4100	4400	4100	4250	4600	4300
Total Consumption	4350	4350	4350	4500	4700	4500	4650	4900	4800
Ending Stocks	4033	4033	4033	2933	2733	2933	1283	1833	1133
Total Distribution	9883	9883	9883	8233	8233	8233	6233	6933	5933
Yield	2.47	2.47	2.47	2.35	2.35	2.35	1.56	2.35	2.5

Wheat production in 2008/09 is estimated by the Minister of Agriculture and Agrarian Reform at 2.0 million tons, just half the previous crop. The sharp decline is due to frost in winter, and more importantly, the severe drought in spring 2008. Planted area was about 1.7 million hectares. However, large areas, both rain fed and irrigated, have already been used for grazing and will not be harvested. The major reasons for the reduction in harvested area are that the feed shortage and lack of grazing areas forced sheep owners to buy the wheat fields for grazing at very high prices (about 1300 dollars/hectare) before the onset of the seeding stage. The wheat farmers collected the money in cash and saved the cost of irrigation, harvesting, bagging and transportation.

The General Establishment for Cereal Processing and Trade (HOBOOB) hopes to buy about 1.5 million tons from the 2008/09 crop. The Ministry of Economy and Trade put heavy restrictions on the movement of grain between provinces to force the farmers to deliver their grains to HOBOOB. The Ministry also raised wheat prices by about 40 percent in April and again adjusted the prices up by 3 percent in early May. In spite of all these measures, it is doubtful that HOBOOB will come close to achieving its target purchases as freely traded wheat is still 35 percent above the newly set prices in April 2008. Prevailing barley prices in the local market are also 30 percent above the newly set wheat prices. Private traders will manage to buy most of the crop. A part of the crop may be used to replace barley as animal feed due to the price factor and due to the transportation restrictions.

Consumption

Consumption is growing with the increase in population and the presence of 1.5 million Iraqi refugees in the country. They represent 8 percent of the population. Demand will increase further if the wheat is used to replace barley as animal feed due to higher barley prices in the local market. Wheat was once used mainly for milling into flour for bread production. Smaller quantities are used for bulgur production, and lower quality wheat is used for animal feeding. Available milling capacity greatly exceeds the milling requirement of the country. The demand for bread is increasing at faster than the increase in population. Actually, a part of the produced bread is used as feed and is probably the cheapest feed ingredient now.

Trade

Exports are forecast to cease due to the very small crop and the expectations that HOBOOB will be unable to procure a surplus available for export. The balance of the quantities contracted for with Egypt, Jordan, and Yemen may not be shipped due to the small crop and the limited quantities expected to be bought by HOBOOB from the local 2008/2009 crop. Private Syrian millers exported some quantities of flour to Iraq, but all such exports, including pasta exports, were prohibited in April 2008.

Imports are expected to increase well above the traditional 200,000 tons per year level. Imports will be the only way to legally provide raw materials for some private sector flour mills and pasta factories as the government prohibited the transportation of grains between provinces. Most imports are expected to come from Eastern Europe due to the relatively cheaper wheat prices and lower freight cost from the Black Sea area as compared to other origins. No U.S. wheat is expected to be imported, as landed prices tend to favor sourcing from Eastern Europe and the Black Sea Region. Syria exported 39,625 tons of flour in 2006, but exports in 2007/2008 will be negligible since such exports were prohibited recently. Syria imports limited quantities of flour, mainly from Turkey (4766 tons in 2006). Detailed trade data for 2007 are not yet available.

Stocks

Most wheat stocks are held by HOBOOB, which once maintained stocks (as a national reserve) at levels close to 4 million metric tons, more than Syria's annual milling requirement. The private sector maintains some stocks for its use and for seeding the next crop. These stocks were maintained to eliminate the need for imports in case of a bad crop year. Stocks are estimated to be much smaller and will be drawn down to a level significantly below that of 2006/07 due to limited purchases from the 2007 crop, and will decrease further due to the very small crop in 2008. Stocks kept by HOBOOB are usually stored in concrete or metal silos, as well as in open storage facilities.

Policy

While HOBOOB has been the main player in the wheat market for the past 35 years, in 2007 the private traders took over a significant part of HOBOOB's monopoly of the wheat market in Syria. It is not clear yet if HOBOOB will be able to maintain its former position in 2008 in spite of all the restrictions and penalties imposed on the movement of grains between provinces in 2008.

Customs duties on wheat imports are one percent. Permitting imports of wheat and flour for further processing is expected to continue in the future. Syria plans to expand its concrete silo storage capacity by about 2 million metric tons during the coming five years. The GOS expects that these silos will be utilized to replace storage of wheat in jute bags in open storage facilities and will reduce grain storage losses. Concrete silos are owned and managed by the General Company for Silos, under the Ministry of Economy and Trade, and are mainly used for storing wheat. The private sector has been permitted to establish silos. These silos will be used for storing imported grains, mainly corn, barley, and soybeans.

Marketing

If Syria suffers from another bad crop in 2009, Syria will become a significant wheat importer. Most of the imports come usually from nearby sources due to relatively cheap prices and low freight cost. The United States could become a source of wheat if prices in neighboring markets increase or if disease problems start to create problems for such wheat producers.

Barley

PSD Table

Barley (1000 HA)(1000 MT)(MT/HA)

	2006	Revised		2007	Estimate		2008	Forecast	
	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New	USDA Official	Post Estimate	Post Estimate New
Market Year Begin		07/2006	07/2006		07/2007	07/2007		07/2008	07/2008
Area Harvested	1000	1000	1000	1000	1000	1000	550	1000	350
Beginning Stocks	458	272	458	268	72	268	168	122	168
Production	700	700	700	700	700	700	200	700	200
MY Imports	310	300	310	300	500	900	850	700	1500
TY Imports	228	300	228	300	500	900	850	700	1500
TY Imp. from U.S.	0	0	0	0	0	0	0	0	0
Total Supply	1468	1272	1468	1268	1272	1868	1218	1522	1868
MY Exports	50	50	50	50	0	50	50	0	0
TY Exports	50	50	50	50	0	50	50	0	0
Feed Consumption	900	900	900	800	900	1400	800	1100	1500
FSI Consumption	250	250	250	250	250	250	250	250	250
Total Consumption	1150	1150	1150	1050	1150	1650	1050	1350	1750
Ending Stocks	268	72	268	168	122	168	118	172	118
Total Distribution	1468	1272	1468	1268	1272	1868	1218	1522	1868
Yield	0.7	0.7	0.7	0.7	0.7	0.7	0.36	0.7	0.57

The 2008/09 barley crop is estimated by the Minister of Agriculture and Agrarian Reform at approximately 200,000 tons, not even sufficient for the seeding requirement of the next crop. Planted area was planned at 1.3 million hectares. However, the drought that hit the crop in spring of 2008 badly reduced the crop, and the majority of planted areas were abandoned for grazing. Barley production area is almost exclusively rainfed. Government entities are not expected to purchase any quantity from the 2008/09 crop, due to the relatively small crop. The government raised procurement prices in April to 15 SP/kg (326 dollars/MT). This price is still 32 percent below the prevailing local market prices. Restrictions on the movement of barley will not have any effect on delivery to the governmental agencies.

Consumption

In Syria, most barley is used for feeding sheep. The demand fluctuates from year to year depending on the availability of grass for sheep grazing. Demand increases during drought periods and during the winter months due to the lack of grass at that time. Syria normally requires about 1.5 – 1.8 million tons of barley per year for feed use and for planting next year's crop. Consumption is estimated to increase sharply due to the lack of grasses in the Syrian steppe.

Trade

Imports in 2008/09 are forecast to increase significantly due to the drought. Most imports are expected to continue to be sourced mainly from Eastern Europe due to lower prices in these countries and relatively low freight cost. Importers from such origins are suffering from quality problems of the imported barley. No barley exports are expected.

Stocks

Beginning in 2005, the General Organization for Fodder (GOF) was granted responsibility for maintaining barely stocks. Since GOF was unable to buy any significant quantity of barley (only 1600 MT) from the local crop in 2007 and probably no quantity from the 2008 crop, the small stocks are now all kept by the private sector.

Marketing

Syrian importers rely on Eastern European sources for barley, mainly Ukraine, Russia, and Turkey. This is mainly due to the competitive landed prices as well as these sources' ability to ship small quantities (about 5,000 MT per shipment). Price considerations and freight cost have prevented Syrian importers from importing barley from the United States. The situation may change if these sources suffer from quality/supply problems in the future.